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DEPARTMENT FOR SCA;

E.O. 12958: N/A

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SUBJECT: KYRGYZSTAN'S IMPROVING BUDGET TRANSPARENCY

REF: STATE 1923

¶1. SUMMARY: The Kyrgyz Government has taken significant steps to increase the transparency of its budget and has a detailed plan to further improve its budget process. The 2010 budget passed by Parliament in December is available on the internet and provides detailed figures in many areas. In 2009 the Government committed itself to implement International Public Sector Accounting Standards and President Bakiyev issued a decree that detailed the Government's plan for public finance management reform through 2013, which should improve transparency. Post will continue to support greater budget transparency through a USAID project that is assisting the Government in improving its tax and financial policy, and will continue to coordinate with international organizations that are assisting in this area, including the World Bank and International Monetary Fund. End summary.

¶2. The Kyrgyz Government is expected to receive USG assistance that falls under the FY 2010 SFOAA, including IMET and FMF funding as well as technical assistance and training provided through various USG assistance programs.

2010 Budget Available On The Internet

¶3. The Kyrgyz 2010 budget, as passed by Parliament in December, is publicly available on the Parliament's internet site in Kyrgyz and Russian at www.kenesh.kg/zp/lps.aspx?view=projectinfo&id=123971. Some of these documents are also available on a new independent internet site, www.budget.kg, supported by the Soros Foundation. President Bakiyev has not yet signed the budget passed by Parliament so the Ministry of Finance has not yet posted the budget. Bakiyev is expected to sign the budget in the next couple of weeks. By law the Government is required to make budget information public, aside from secret information related to national security, although the law is not specific regarding what level of detail is required.

¶4. The budget documents passed by Parliament and available on its internet site provide both an overview of the budget as well as attachments with a number of quite detailed breakdowns of the budget. This year for the first time the budget passed by Parliament also includes a three-year projection, covering the 2011 and 2012 budgets as well as the 2010 budget. The budget documents also include information on foreign assistance grants and loans. While the budget appears to be mostly complete, it does not include detailed information on all revenues and expenditures.

¶5. The Kyrgyz Government's 2010 budget process was complicated this year by a significant government reorganization President Bakiyev announced in October. The reorganization led to a major rewriting of the initial draft budget prepared by the Government. The rewriting of the budget meant that it was not completed and sent to Parliament until one week before Parliament began to debate the budget,

limiting the time available to the public to review the proposed budget.

¶6. The State Accounts Chamber conducts an end of year audit of the budget, which is usually sent to Parliament in March or April. According to the head of the Soros Foundation Kyrgyzstan Budget Transparency Program, Nurlan Djoldoshev, the results of the audit are publicized in the media, but in the past the publicly available information was not detailed.

Improving Budget Transparency

¶7. The Kyrgyz Government has plans to continue to improve its budget process, in coordination with international organizations including USAID, the International Monetary Fund, and the World Bank. In July, 2009 the Government adopted a decision to implement International Public Sector Accounting Standards. In October, 2009 President Bakiyev issued a decree that the Government would implement an action plan on public finance management reform for 2009-2013. The sixteen page decree lists many specific actions to be undertaken by various government ministries and bodies. Among the goals of the action plan is to ensure the budget covers all government revenues and expenditures. The IMF Resident Representative told Emboff that the IMF supported the Government's adoption of the decree and intended to continue to provide technical assistance, along with other donors, to help the Government implement the plan.

¶8. Through USAID, the U.S. Government continues to provide assistance to the Kyrgyz Government on improving effective

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implementation of the tax code, preparation of financial statements according to International Public Sector Accounting Standards, and putting in place mechanisms for more effective audit by the Accounts Chamber. This project is scheduled to continue through 2010 and will end in 2011.
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